

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO *et al.*,

Debtors.¹

PROMESA Title III

Case No. 17 BK 3283-LTS

(Jointly Administered)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

PUERTO RICO ELECTRIC POWER AUTHORITY,

Debtor.

PROMESA Title III

Case No. 17 BK 4780-LTS

**RESPONSE AND RESERVATION OF RIGHTS OF ASSURED GUARANTY CORP.
AND ASSURED GUARANTY MUNICIPAL CORP. TO THE FINANCIAL OVERSIGHT
AND MANAGEMENT BOARD FOR PUERTO RICO AND THE PUERTO RICO
FISCAL AGENCY'S JOINT APPLICATION AND NOTICE OF REVISED PROPOSED
\$300 MILLION LOAN FROM COMMONWEALTH TO PREPA**

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's Federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico ("Commonwealth") (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 04780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Court Judge Laura Taylor Swain:

Assured respectfully submits this reservation of rights pursuant to the Court's Order (ECF No. 728) to schedule resolution of the Oversight Board and AAFAF's *Urgent Application and Notice of Revised Proposed \$300 Million Loan From Commonwealth to PREPA* (ECF No. 728) (the "Joint Application") and joinder to the *Response and Limited Objection of the Ad Hoc Group of PREPA Bondholders to Oversight Board's and AAFAF's Urgent Application and Notice of Revised Proposed \$300 Million Loan From Commonwealth to PREPA* (the "Ad Hoc Group Response").²

RESERVATION OF RIGHTS AND JOINDER

On February 15, 2018, this Court held the Movants' DIP Motion in abeyance, finding that Movants had failed to carry their evidentiary burden under section 364(d) of the Bankruptcy Code, among other things. Immediately after this Court's ruling, the Movants filed the Joint Application, which seeks entry of an order for an unsecured \$300 million DIP loan entitled to administrative expense priority (the "DIP Order").

In light of PREPA's liquidity situation, Assured and other creditors have worked with Movants over the past 36 hours to revise the DIP Order and Credit Agreement to remove objectionable provisions that continued to exist in those documents. Those efforts are ongoing. The revised drafts submitted by the Movants early this morning were improved, and Assured appreciates that the Movants consulted with other creditors. Such consultation and collaboration will be necessary for PREPA and other Title III debtors to successfully exit these Title III cases.

² Capitalized terms used herein shall have meanings given to them in Assured's objection to the DIP Motion. See ECF No. 585 ("Objection"). Unless otherwise noted, docket entries referred to herein are from PREPA's Title III case, Bankruptcy Case No. 17 BK 04780-LTS. Assured incorporates by reference all arguments raised in the Objection and Supplemental Objection, as well as any objections filed by PREPA bondholders to the Joint Application

Assured understands that the Movants intend to file a revised proposed order that will incorporate certain agreed upon modifications (the “Revised Proposed Order”). Assured submits this reservation of rights to preserve Assured’s right to object in the event that the Revised Proposed Order and related documents do not reflect those changes.

Assured also joins the Ad Hoc Group response. Assured is willing to continue discussions regarding the changes proposed in the Ad Hoc Group response with Movants, the PREPA ad hoc group of bondholders, and other PREPA constituents. To the extent that those changes are not agreed to by the Movants prior to the reply deadline, Assured reserves the right to object to the Joint Application, and to join any other objections filed by other PREPA bondholders, monoline insurers, or the Trustee. Assured further notes that the DIP Order expressly reserves the rights of all parties in interest under the Trust Agreement. Consequently, nothing herein or in the DIP Order shall be construed as a waiver of rights of holders of the Bonds under the Trust Agreement, and Assured therefore expressly reserves all rights, claims, defenses, and remedies thereunder.

Dated: San Juan, Puerto Rico
February 17, 2018

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CERTIFICATE OF SERVICE

I hereby certify that I filed this document electronically with the Clerk of the Court using the CM/ECF System, which will send notification of such filing to all parties of record in the captioned case. Further, I directed that the following counsel of record to be served by U.S. Mail:

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At San Juan, Puerto Rico, this 17th day of February, 2018.

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